"Our results demonstrate the strategy adopted in these uncertain and challenging economic conditions. We continued to enhance our products and delivery channels, and invest in our employees to ensure that we become the 'Go To' Bank."

Aupa Monyatsi - Interim Managing Director

FINANCIAL REVIEW

Loans and advances grew 3%
Capital adequacy ratio 23%
Return on Equity 32%
Profit before tax down 12%
Income after tax 47%

Recognised as "Best Bank in Botswana" by EMEA Finance and The Banker

Becoming the ‘Go To’ Bank…

In 2013 the Bank continued on its journey to become the ‘Go To’ Bank. To realise this objective, a lot more focus went into fixing the basics, such as improving our technology platform, rebuilding our branch network, and ensuring that our customers pay fair price through our "Clearly Barclays" initiative. All the above have had the effect of raising our cost base, while showing a modest growth in non-interest income.

In 2013 the Bank successfully adopted a strategy to take a cautious approach to lending in light of the increasing household indebtedness and overall economic slowdown. This strategy is reflected in our materially subdued growth in the branch. This, along with reduced interest rates due to market pressure, has resulted in a slightly lower interest income.

In 2013 the Bank embarked on a journey to leverage its significant presence throughout the country and increase its retail deposits base. This strategy has been objectives to encourage ordinary Botswana to save more, and also to reduce the Bank’s reliance on wholesale deposits which are expensive and subject to significant margin pressure. While this strategy has resulted in a lower return in the current financial year, we believe this will yield rich dividends in the years ahead.

On performance for the year, the most significant item to note is our investment in our staff. During the year the Bank gave up its right to its retirement benefit asset which was carried at P57.55milion as at 1 January 2012. This has now been released to the Bank’s pension fund to be distributed amongst its members.

Other matters which are noteworthy include:

- 5% increase in earnings

The lower performance on interest income is the result of diversification of our Consumer lending portfolio from a predominantly unsecured base to more lending on the back of Mortgages and Personal instalment Loan in the Scheme segment

- 5% growth in net fee and commission income

Clearly Barclays sought to increase our principle of value for money, as well as making it easier for the customer doing business with the Bank. The benefit from this strategic initiative has been an uplift in customer numbers, utilisation of channel offering, increase in uptake of our standalone insurance product offering and transactional activity by customers. The focus going forward will be more investment in new product and service offerings tailored to meet the needs and aspirations of our customers across all business units.

3% decline in net interest income

While our impairment charge has remained flat year on year, we have suffered a modest increase due to acute-off impairment charge on our vehicle asset portfolio of P1.2milion. We continue to maintain a robust credit risk control framework and investment in the operational effectiveness of our collections infrastructure.

The increase in cost to income ratio from 43% in 2011 to 47% in 2012 is due to the one-off release of the pension fund asset.

Capital management

Our capital position remains very strong with core capital ratio at 24.4% (2011: 16.4%) and capital adequacy ratio at 23% (2011: 18.6%). These are above the minimum regulatory positions of 8% core capital and 15% capital adequacy, respectively.

Dividend declaration

Notice is hereby given that a final dividend for the year ended 31 December 2012 of 12.502 be claimed per share will be paid on 27 May 2013 to those shareholders registered at the close of business on 26 April 2013. In terms of the Republic of Botswana Income Tax (Cap 52:01), as amended, withholding tax will be deducted from the Bank's gross dividend.

Outlook

Economic conditions will continue to remain challenging. We will continue the momentum on our strategic initiatives which will see us delivering on our commitments to various stakeholders. The recapitalisation and investments made in 2012 on infrastructure provide us with a solid foundation to improve our customer value proposition so as to meet the ever-changing market demands and position Barclays as the 'Go To’ Bank in Botswana.

STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

In thousands of Pula

Net income 1,185,818 1,227,834 (3%)
Income tax expense (121,778) (117,194) 4%
Profit before income tax 564,103 643,703 (12%)
Operating expenses (621,715) (584,131) 6%
Fee and commission expense (9,903) (22,841) (57%)
Fee and commission income 284,903 285,243 (0%)
Other income (16,606) (17,593) - 3%
Other expenses including depreciation 35,660 (35,827) -
Profit before performance related compensation 297,938 279,221 7% (123,549) (117,194) 4%
Profit after tax from discontinued operations, including gain on disposal 12,502 15,591 (282)
Other comprehensive income attributable to shareholders

Our results demonstrate the strategy adopted in these uncertain and challenging economic conditions. We continued to enhance our products and delivery channels, and invest in our employees to ensure that we become the 'Go To' Bank.